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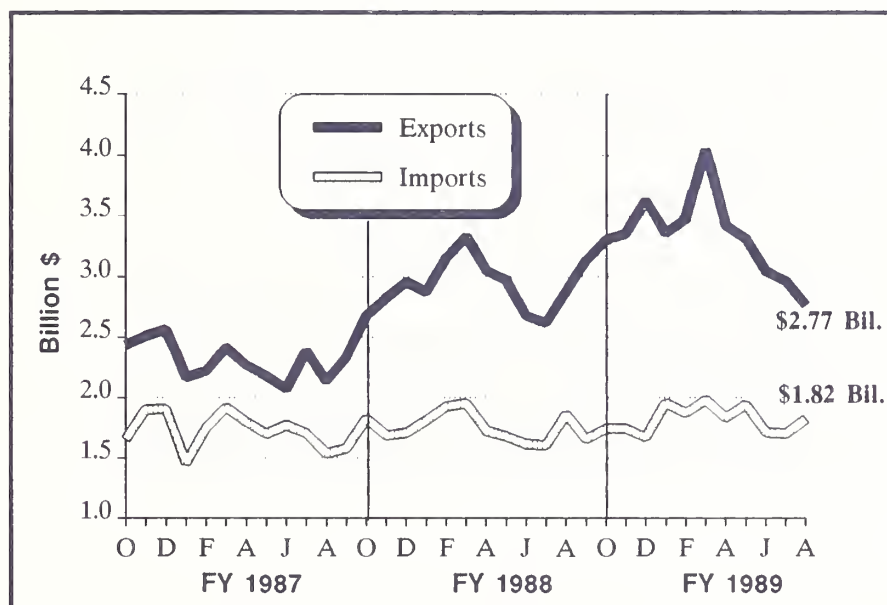


AGRICULTURAL TRADE HIGHLIGHTS

U.S. Department of Agriculture, Foreign Agricultural Service

October 1989

August Exports Fall Below \$2.8 Billion On Lower Corn, Soybean Sales



rubber, red meats, vegetable oils, and orange juice. The largest import gains were in oats, pasta, fresh and processed vegetables, and sugar. Of the top ten U.S. suppliers, five posted sales increases in August and five posted losses. Canada, Mexico, and the Philippines scored the largest gains, while Brazil and Indonesia realized the greatest losses for the month.

August marked the first time in 21 months that the agricultural trade surplus has fallen below the \$1 billion mark. At \$948 million, the monthly surplus was down \$88 million from last August and fell \$348 million below July's balance. The cumulative agricultural surplus for the first 11 months of fiscal 1989 now stands at \$16.7 billion, compared with \$12.7 billion for the same period a year ago.

August trade data released by the Commerce Department on October 17 showed U.S. agricultural exports posting a decline from year-ago levels for the first time in 36 months. Valued at \$2.77 billion, agricultural exports fell \$125 million, or 4 percent, from last August and \$198 million, or 7 percent, from July's levels.

August's export performance runs counter to cumulative export trends for fiscal 1989. At \$36.7 billion, exports for the first 11 months (October-August) are up 14 percent, or \$4.5 billion, from October-August 1988. It is the highest figure for the first 11 months of any fiscal year since 1982.

The largest sales declines were in corn, soybeans, soybean meal, un-

manufactured tobacco, and live animals. These losses were partially offset by gains in wheat, rice, vegetable oils, cotton, planting seeds, fresh fruits, and beef and veal. From a country perspective, the United States registered sales declines in eight of the top-ten markets for agricultural exports in August. The only two top-ten markets posting gains in August were China and Egypt.

August's import figure of \$1.82 billion was down \$37 million, or 2 percent, from last August but up \$123 million, or 7 percent, from July. This brought the year-to-date import total to \$19.9 billion, compared with \$19.4 billion for the same period of fiscal 1988. The most significant import declines for the month were in coffee, natural

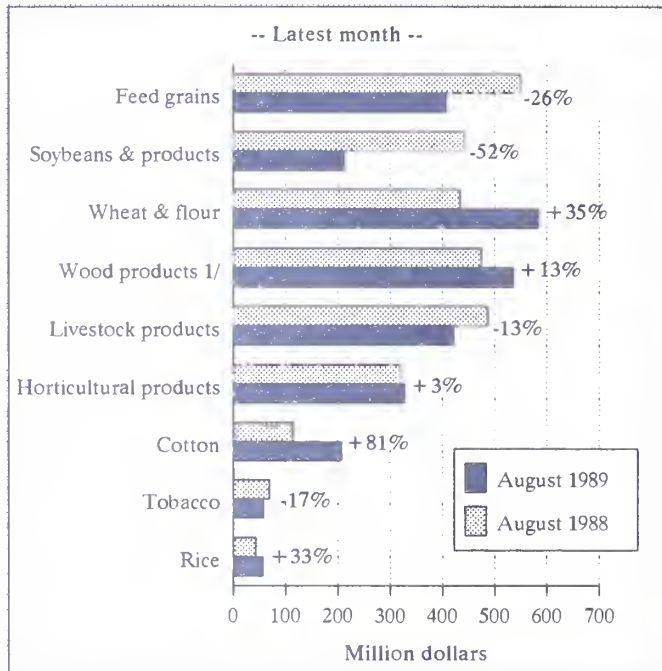
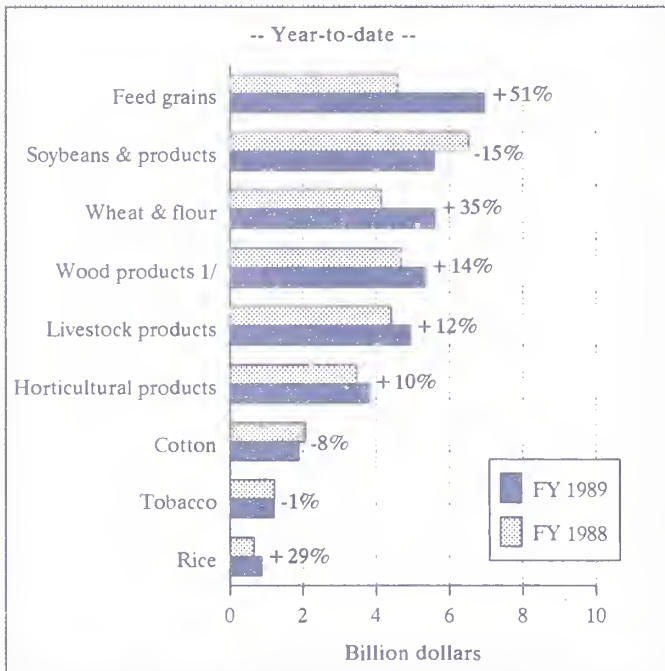
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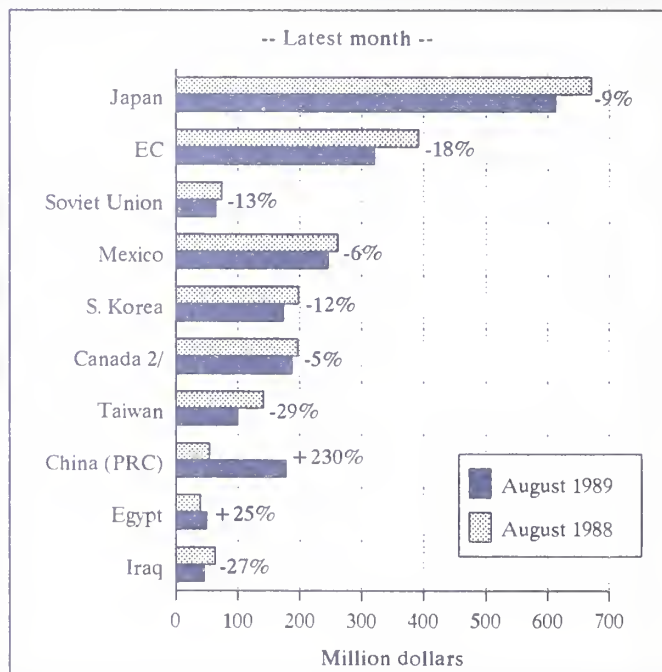
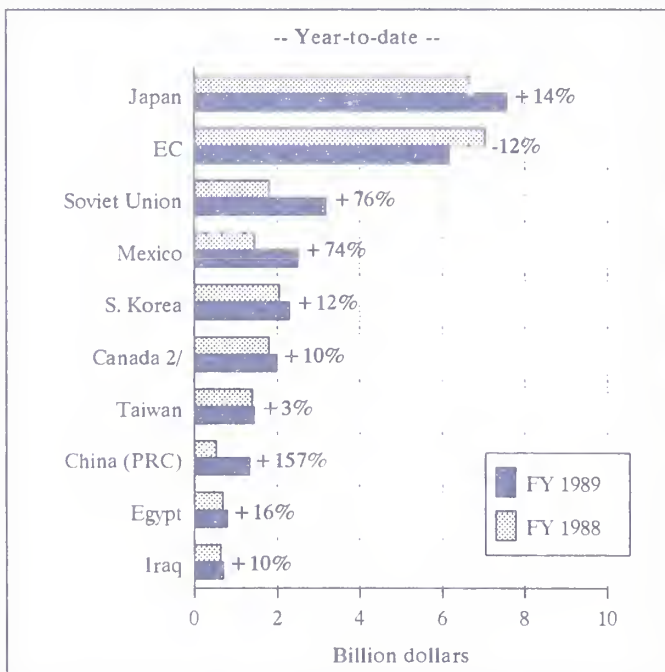
U.S. Agricultural Export Summaries

Year-to-date and Latest Month

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from fiscal 1988 to fiscal 1989.

1/ Not included in agricultural totals. 2/ U.S. agricultural exports to Canada are underreported by about \$1 billion a year and officially recognized by both Governments.

Commodity Highlights

The latest trade report showed a steep decline in U.S. agricultural exports in August, led by sharp drops in corn and soybean sales. Overall export value and volume came to \$2.77 billion and 10.1 million tons, compared with year-ago figures of \$2.89 billion and 10.4 million tons. (See table on page 13 for commodity detail and page 2 for graphic depiction of trends in trade).

The largest year-over-year monthly increase was in *wheat and flour* exports. The United States shipped 3.65 million tons of wheat and flour worth \$584 million during August, an increase of 641,000 tons and \$151 million from last August. Leading buyers were China, the Soviet Union, Japan, and Turkey. The August report brings the wheat and flour export total for the year-to-date to \$5.59 billion and 34.7 million tons, up 35 percent in value but down 9 percent in volume from last year's pace.

In contrast to the healthy sales gains in wheat and flour, *feed grain* exports registered one of the largest monthly declines in August. The drop was the result of a sharp downturn in corn exports. While corn exports normally trend downward during the summer months preceding harvest, the drop this year was unusually severe. The most significant sales declines occurred to the largest U.S. markets--the Soviet Union, Japan and Korea. On a brighter note, year-to-date feed grain exports are up 51 percent in value and 17 percent in volume from 1988 levels.

The poorest export performance for the month was in *soybeans and products*. Soy product shipments were down 52 percent in value and 44 percent in volume from August 1988 levels. The primary reason for the decline is depressed demand in the European Community (EC) for soybeans and products. Compared

The latest trade report showed a steep decline in U.S. agricultural exports in August...

with last year, European purchases of soybeans and products have fallen 4.6 million tons and \$692 million during the first 11 months of fiscal 1989, accounting for 57 percent of the drop in volume and 72 percent of the decline in value for this product sector. For the October-August period, soybeans and products are down by 8.1 million tons and \$959 million from fiscal 1988 levels.

U.S. *cotton* exports scored a healthy increase in August, following a significant jump in July. Sales for the month totaled 113,000 tons and \$166 million, compared with only 62,000 tons worth \$90 million last August. China continues to be the major force in the cotton market because of its short domestic supply situation. Cotton exports for the first 11 months of fiscal 1989 are up 1 percent in volume but down 8 percent in value from last year.

Unmanufactured tobacco exports dropped again in August after posting a sharp decline in July. The largest declines occurred in flue-cured leaf and burley. Compared with last August, export volume dropped 5 percent while export value fell 17 percent. Declines were greatest to the EC, Japan, China, and Korea. Thus far in 1989, tobacco exports are off 7 percent in volume and 1 percent in value.

U.S. *rice* remains in a strong export position, with an August sales increase of 63,000 tons and \$14.5 million from year-ago levels. These figures bring rice exports for October-August 1989 to 2.78 million tons worth \$864 million, the highest export level since 1982. While Iraq

continues to be the leading market, the most significant increase in demand has come from the EC, up 76 percent in value and 84 percent in volume from year-ago levels.

August's *livestock* export figure dropped to \$421 million from \$486 million in August 1988 and \$431 million in July 1989. The decline was spread over several commodity groups, including live animals, variety meats, animal fats, hides and skins, furskins, and cattle embryos. On a more positive note, beef and veal exports posted a 5-percent increase and pork sales rose 15 percent from last August. Cumulative-to-date livestock product exports are running 12 percent and 11 percent ahead of last year's pace in value and volume, respectively.

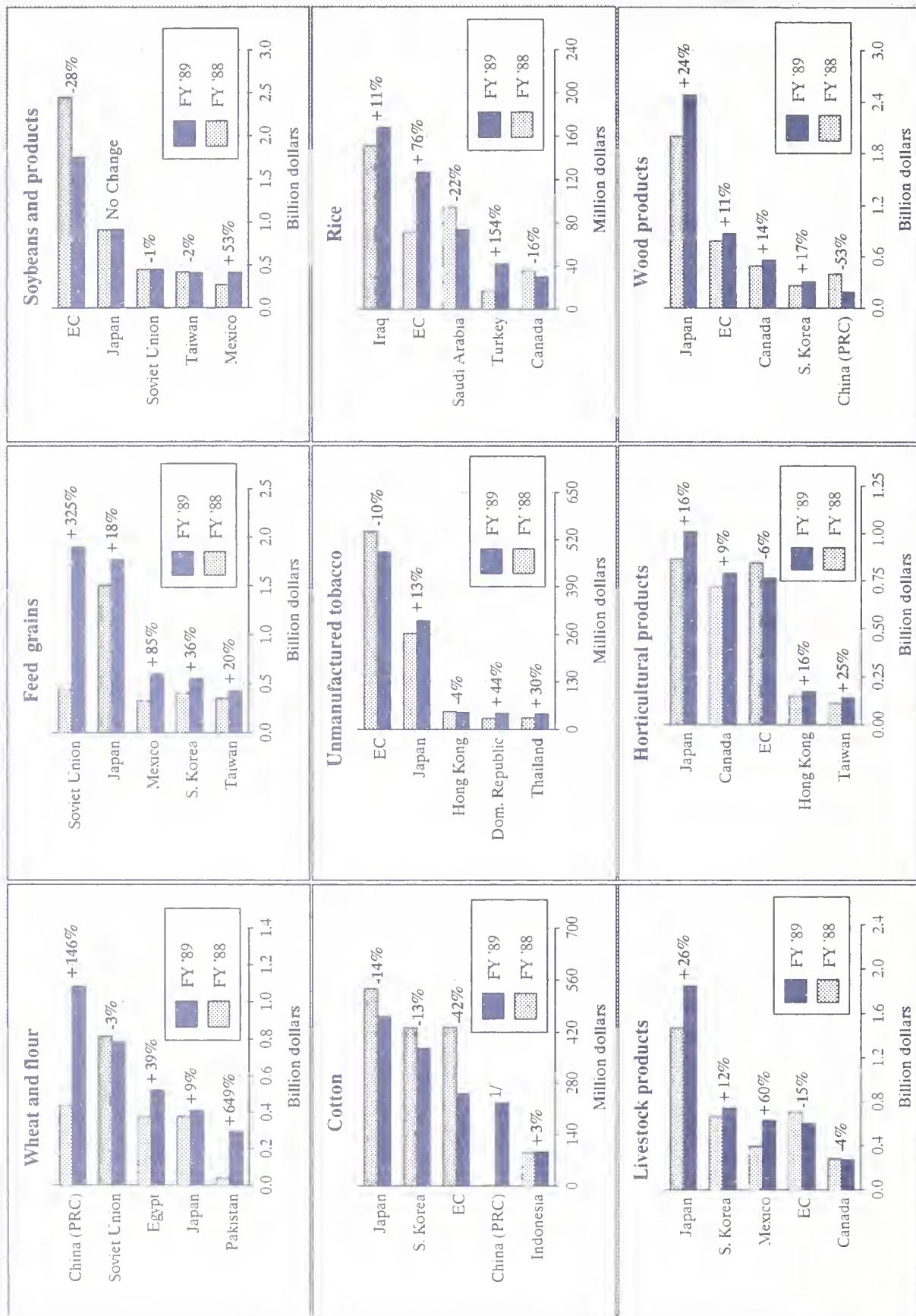
Horticultural products registered a 3-percent increase from last August, rising to \$328 million. Trend setters within this product sector include fresh citrus, canned and frozen vegetables, nursery products, and cut flowers. Asian markets dominated the horticultural product trade in August, with notable sales gains posted to Japan, Korea, Taiwan, Hong Kong, China, and India. Horticultural product exports for October-August 1989 are up 10 percent in value and 8 percent in volume from year-ago levels.

August's *wood products* exports scored impressive gains, with sales rising \$61 million from August 1988. This brings wood product exports to \$5.34 billion for the year, up 14 percent from 1988's first 11 months. Japan remains the leading and fastest growing market for wood products.

For more information, contact David Pendhum at (202) 382-1294.

Note: All tonnage measurements are on a metric-ton basis.

Top Five Markets for Major U.S. Commodities, October-August Comparisons



Note: Percentages are computed as the change from fiscal 1988 to fiscal 1989.

1/ Negligible exports reported during comparable period last year.

Export Declines Broad Based in August, Bulk, Intermediate, and Consumer-oriented Sales Fall

August's U.S. agricultural export figures showed modest declines at all three major groups--*bulk*, *intermediate*, and *consumer-oriented*. This reverses a monthly pattern for the bulk and consumer-oriented categories, which had consistently recorded strong growth for most of the 1989 fiscal year.

Bulk commodity exports dropped to \$1.48 billion in August 1989 from \$1.54 billion in August 1988, a decline of 4 percent. Intermediate products fell 5 percent, to \$622 million, while consumer-oriented products declined 4 percent, to \$658 million.

The August decline in bulk commodities was due to a sharp drop in corn and soybean exports. Corn exports dropped 38 percent from August 1988 levels and soybean exports dropped 62 percent. However,

Year-to-date totals for 1989 remain ahead of last year's levels for all three processing stages ...

significant sales increases were posted in other bulk commodities. Examples include wheat, up 36 percent; cotton, up 81 percent; and rice, up 33 percent.

In the intermediate products category, major sales declines occurred in soybean meal, down 47 percent; live animals, down 66 percent; animal fats, down 21 percent; and hides and skins, down 6 percent. However, sharp increases were posted in other intermediate products. Examples include corn gluten feed, up 42 percent; and vegetable oils, up 93 percent.

The export decline in consumer-oriented products was due mainly to a 32-percent sales decline in variety meats. Despite the monthly decline, consumer-oriented products continue to be a strong growth sector for U.S. agricultural products, led by high-valued horticultural products, beef and veal, and pork products. As illustrated in the table below, most of the consumer-oriented products are exported to the major industrial countries.

Year-to-date totals for 1989 remain ahead of last year's levels for all three processing stages despite the August decline. For October-August 1989, bulk commodity exports of \$21.2 billion are up 18 percent from October-August 1988. Intermediate and consumer-oriented product exports now stand at \$7.7 billion each for the year, and are up 3 percent and 17 percent, respectively, from a year ago.

For more information, contact Dennis Voboril at (202) 382-9055.

**Consumer-Oriented Product Exports
To Selected Industrial Countries (In million U.S. dollars)**

	October-August		August	August
	1987/88	1988/89	1988	1989
Japan	2,105	2,661	227	228
Canada	993	1,107	104	93
West Germany	292	251	36	25
United Kingdom	231	212	24	20
France	198	163	14	11
Netherlands	152	142	13	10
Belgium/Luxembourg	75	69	5	5
Spain	63	58	3	1
Italy	54	58	2	3
Denmark	34	31	3	2
Greece	10	8	NA	NA
Ireland	4	5	NA	NA
Portugal	3	3	NA	NA
Total cons.-oriented exports	6,570	7,678	685	658

NA = Not available.

Source: U.S. Bureau of the Census.

Bulk commodities include wheat, rice, feed grains, soybeans, other unprocessed oilseeds, cotton, unmanufactured tobacco, planting seeds, and pulses.

Intermediate products are principally semi-processed products such as wheat flour, feeds and fodders, hops, oilseed meals, vegetable oils, hides and skins, animal fats, wool, and refined sugar. Live animals are also included.

Consumer-oriented products are fundamentally end-products that require little or no additional processing for consumption and include all items not listed in the above categories, such as fresh and processed horticultural products, fresh and processed meats, dairy products, table eggs, and bakery products.

Noncompetitive Imports Weaken Further, Competitive Imports Continue To Strengthen

At \$1.82 billion, August's U.S. *Agricultural import* figure was up \$123 million, or 7 percent, from the previous month but down \$39 million, or 2 percent, from the August 1988 import total. This marks the first time since March 1989 that the agricultural import total has shown a year-over-year monthly decline.

While a few *competitive products* were down from year-ago levels, the drop was concentrated in the *non-competitive import* category, primarily in coffee and rubber. At the aggregate level, imports of noncompetitive items fell \$60 million for the month, more than offsetting a \$21-million increase in competitive imports.

These aggregate figures are in line with the import trends throughout the year. With import data now available for the first 11 months of fiscal 1989, noncompetitive imports total \$5.8 billion, a drop of \$218 million, or 4 percent, from a year ago. In contrast, competitive imports for the 11-month period have risen to \$14.2 billion from \$13.4 billion in October-August 1988, for a gain of \$776 million, or 6 percent. Thus far this year, competitive imports account for 71 percent of the agricultural import total, compared with 69 percent a year ago.

The cumulative import total for October-August 1989 now stands at \$19.9 billion. This figure represents an increase of \$558 million, or 3 percent, from 1988 levels and is the highest to-date agricultural import total on record. The official U.S. Department of Agriculture forecast for agricultural imports for fiscal 1989, as of Aug. 25, 1989, stands at \$21.5 billion.

While a few competitive products were down from year-ago levels, the drop was concentrated in the noncompetitive import category...

For the month of August, the only major noncompetitive import commodities showing an increase were bananas and plantains, and these items were up only 1 percent. Rubber and allied gums posted the greatest decline, falling \$51 million, or 47 percent, from August 1988. The three largest U.S. rubber suppliers--Indonesia, Malaysia, and Thailand--bore the brunt of the decline, collectively absorbing 94 percent of the downturn.

The driving force behind the declining value of coffee imports is falling world coffee prices in the wake of the collapsed International Coffee Agreement. However, the lower prices have stimulated U.S. demand, with volume imports up by 6,000 tons from last August's 254,000-ton level. Brazil is the largest U.S. coffee supplier, followed by Mexico and Colombia.

The only declines of note within the competitive import category were red meats and vegetable oils. At \$141 million, beef and veal imports were off \$21 million, or 12 percent, from August 1988; pork products posted a year-over-year monthly decline of \$11 million, or 14 percent; and vegetable oil imports fell \$26 million, or 30 percent.

For beef and veal, the largest losses were incurred by New Zealand and Australia. August's decline in pork products came mostly at the expense of the EC (primarily Denmark),

while the drop in value of vegetable oil imports was mainly in tropical oils from Indonesia and the Philippines. The largest monthly increases in competitive imports were in processed vegetables, up \$15 million, or 29 percent, and beet and cane sugar, up \$46 million, or 97 percent from August 1988. Selected grain products, such as oats, barley, pasta, and pastry products also showed significant gains. These products have been trending upward throughout fiscal 1989.

The principal beneficiaries of the gains in processed vegetable imports were Canada, the EC, Guatemala, and Mexico. The Philippines and Australia supplied most of the additional sugar imported in August. August's trade follows the trend of previous months, with rapid increases in both value and volume.

The increase in oat and barley imports is a consequence of last summer's drought which reduced the U.S. oat and barley crop. Canada picked up most of the increased earnings from these gains.

Canada was also a major supplier of the additional pastry product purchases, along with selected countries within the EC (France, Italy, and West Germany). Italy supplied the lion's share of pasta imports for the month.

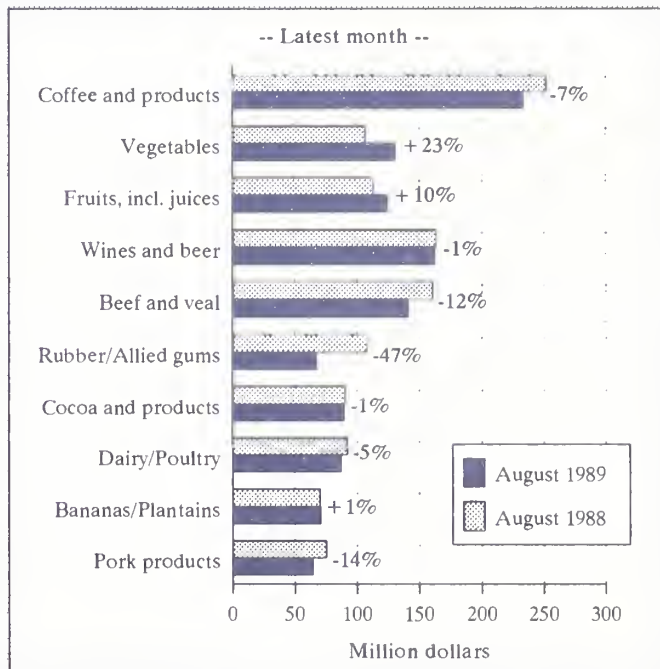
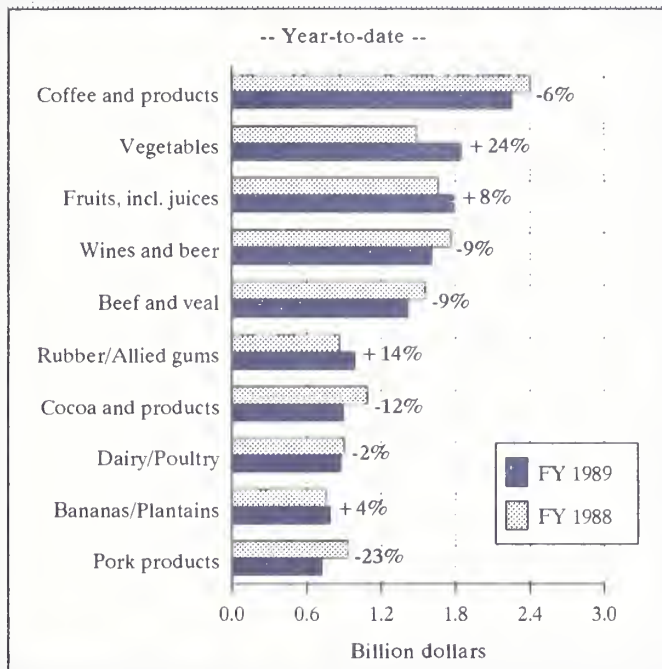
For more information, contact Eniko Miyasaka at (202) 382-9148.

Noncompetitive imports are those which do not compete with U.S. production and include: bananas and plantains, coffee (incl. processed), cocoa (incl. processed), rubber and allied gums, spices, essential oils, tea, and carpet wools. All other imports are classified as competitive.

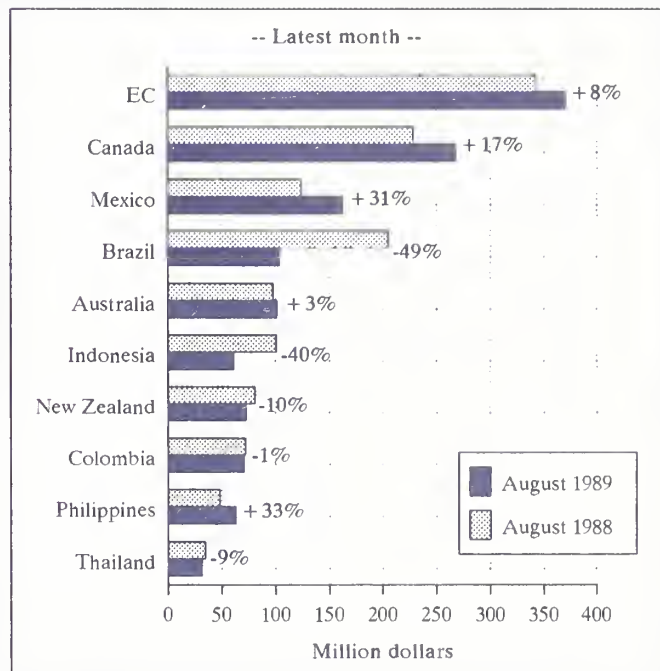
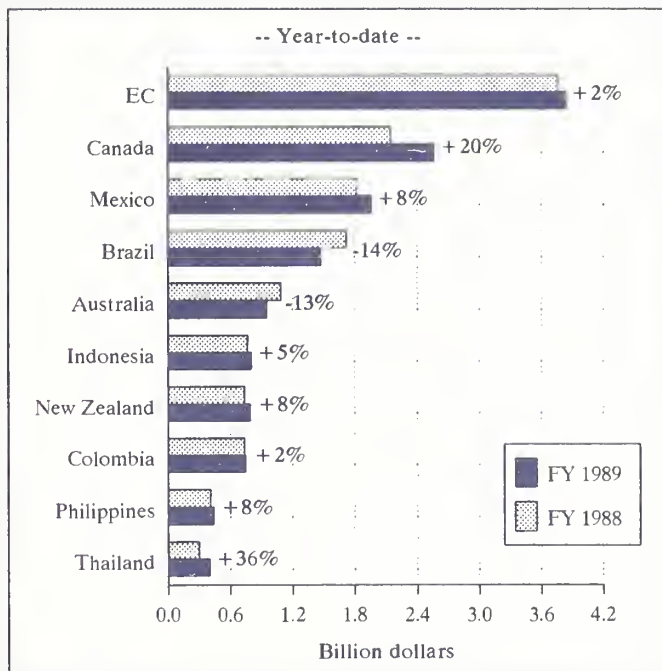
U.S. Agricultural Import Summaries

Year-to-date and Latest Month

Product Summary



Top Ten Suppliers Summary



Note: Percentages are computed as the change from fiscal 1988 to fiscal 1989.

Recent Developments

Impacting U.S. Agricultural Trade

U.S. Makes Inroads In South Korean Beef Market

The United States has gained a 26-percent share in value terms of the newly reopened and expanding Korean beef market. On a shipped-weight basis, Korean purchases for calendar year 1989 to-date total 80,353 tons. This represents a product equivalent of 61,371 tons against an official quota of 50,000 tons. Exporter breakouts in tons are as follows: Australia, 42,054; the United States, 14,843; Canada, 2,903; and New Zealand, 1,571. U.S. Census data for the first 8 months of calendar year 1989 ranks Korea as the third largest market for U.S. beef and veal, behind Japan and Canada, with sales totaling over \$56 million. In calendar year 1988, Korea ranked fifth with purchases of almost \$26 million.

Finland Announces Opening Dates for Apples and Pears

The Finnish Fruit Marketing Board has announced that this year's import-opening dates will be November 18 for apples and October 17 for pears. This will allow the U.S. industry early access to the Finnish market for these fruits. The United States and Finland are currently discussing the reform of Finland's access system.

U.S. Imports of EC Cheese Down in 1989

Despite an increase in European Community (EC) export restitutions for cheese in April 1989, EC cheese sales to the United States this year remain well below quota levels. EC cheese exports to the United States have declined since the mid-1980's due to a weaker U.S. dollar, reduced EC milk output, and the EC's retargeting of export subsidies to other countries. While EC sales of varieties such as Swiss/Emmenthaler and Edam/Gouda under the U.S. quota are up for the first 8 months of calendar 1989 from year-ago levels, most annual quota levels are less than 50 percent filled.

South Korean Crushers Buy Brazilian Soybeans

South Korean soybean processors recently imported 192,300 tons of soybeans from Brazil. The soybeans were reportedly contracted in early July when U.S. soybean prices were 20-30 cents per bushel above Brazilian soybeans. Korean soybean imports average between 1.0 to 1.1 million tons annually, of which approximately 80 percent is generally supplied by the United States.

Soviets Re-enter World Grain Markets

The Soviets are back in the world grain markets. This comes despite several recent statements by Soviet officials indicating that the Soviet Union had finished buying for the year. They have purchased nearly 1 million tons of EC barley and, as of October 20, have purchased 7.87 million tons of U.S. corn for delivery during the 1989/90 marketing year (September 1989 - August 1990). These are the first significant corn purchases for the 1989/90 year. The Soviets are expected to import 17.2 million tons of corn in 1989/90.

Soviets Sign Contract for U.S. Poultry Meat

The Soviet Union recently signed a contract with U.S. poultry exporters to buy 15,000 tons of U.S. poultry meat (chicken leg quarters) to be delivered before the end of calendar year 1989. This was the first U.S. poultry-meat sale to the Soviets since the early 1980's. The Soviet Union reportedly may purchase an estimated 50,000 tons of poultry meat during the remainder of 1989. A combination of declining U.S. chicken parts prices, limited Eastern European export supplies, and strong Soviet interest in bolstering domestic poultry meat supplies led to these purchases from outside the Soviet bloc.

CCC Butter and Butteroil Exports At Record Levels

Fiscal year-to-date 1989 direct sales volume of butter and butteroil (in butter equivalent basis) now stands at 84,241 tons worth \$137 million. This sales volume for Commodity Credit Corporation (CCC) butter and butteroil is the largest since fiscal 1981 and reflects the highest sales value received for these products this decade. Major buyers include the Soviet Union, Mexico, Brazil, Iraq, and Jamaica.

... Recent Developments

New Greek Import Barrier on Dried Commodities

The Greek Ministry of Agriculture has recently issued an *Order to Greek Customs* to not permit entry of dried commodities unless accompanied by a certification that the commodity is free of mycotoxins. This order would cover such items as tree nuts, peanuts, corn, and pulses. There is concern that walnut and almond shipments currently enroute from the United States may not be allowed entry into the country.

Canadian Estimates Raised for Wheat, Lowered for Barley and Rapeseed

Statistics Canada has raised its estimate of 1989 wheat production to 24.0 million tons from 23.4 million last month. However, the barley estimate was lowered from 12.4 million tons to 12.1 million, and the rapeseed estimate was lowered from 3.4 million tons to 3.2 million. These estimates are based on conditions as of mid-September. In 1988, yields for both wheat and barley were significantly reduced because of drought in Saskatchewan and Manitoba.

Reduced Exportable Supplies of Argentine Corn Expected in 1990

The United States could face less competition in global corn and sorghum markets during the last half of marketing year 1989/90 (March-August 1990). Argentina, a major competitor, is likely to have reduced exportable supplies of corn and sorghum from the 1990 crops. Recent dry weather and reports of low profitability have delayed farmers' planting decisions and could induce a shift to oilseeds. Additionally, farmers are waiting to see if the Argentine Government will announce any new promotional programs or price supports.

P.L. 480 Docket For FY 1990 Signed

The Secretary's *Determination of Commodity Availability* (P.L. 480 docket) for fiscal 1990 was signed by U.S. Department of Agriculture Secretary Clayton Yeutter on October 11. The signed docket makes 11 commodity groups available for programming under P.L. 480 in fiscal 1990: wheat, rice, feed grains, beans, peas, lentils, edible vegetable oil, soy food products other than oil, tallow, cotton, and solid wood products.

India's Vegetable Oil Imports at 10-year Low, But Rebound Seen in 1989/90

India's vegetable oil imports for 1988/89 are estimated at slightly over 500,000 tons, the lowest level this decade. This is the result of several factors, including favorable weather leading to record oilseed production, a large carry-over of edible oil stocks from last year's record vegetable oil imports (1.9 million tons), and major trade policy changes including the discontinuation of the supply of imported oils to the vanaspati industry. In contrast, import levels for 1989/90 are forecast to nearly double to 957,000 tons, reflecting an anticipated drop in domestic vegetable oil production against steady domestic consumption. Although the majority of India's vegetable oil imports are palm oil, soybean oil imports are expected to increase from 50,000 tons in 1988/89 to 125,000 tons in 1989/90. The United States would be expected to capture a large portion of this market.

Indonesia Raises Import Duty On Palm Oil

The Government of Indonesia recently increased its import duty to 50 percent for refined, bleached, and degummed crude and olein palm oils. The increased import duty, combined with the expiration of duty-free licenses last June, will shut out further palm oil exports to Indonesia for the remainder of 1989. Import charges for soybean oil remain unchanged at 30 percent. The increased import duty on palm oil comes at a time when Indonesia's domestic demand for cooking oil is growing. If the country's domestic supply of refined palm oil is insufficient to meet this demand, imports of soybean oil could increase.

For more information, contact Mike Fay at (202) 382-1034.

Five-Year Macroeconomic Outlook With Implications for U.S. Agricultural Trade

Recent developments which will impact the global economic outlook in the near future include: the economic slowdown in a number of industrialized countries, the rapid escalation of petroleum prices during 1989, restrictive monetary policies in major industrialized countries to stem inflation, a recent strengthening of the U.S. dollar in foreign exchange markets, and worsening external debt problems in many developing countries, especially in Latin America.

Continued moderate growth rates are projected for the global economy during the next 5 years, averaging 3.3 percent through 1994. Annual growth for 1989 should average 3.5 percent and move somewhat lower before moving higher for the final year of the forecast period. Anti-inflationary measures that were tightened earlier this year, particularly in the form of higher interest rates, are likely to slow growth this year and next.

A moderate rise in world inflation is expected in 1989. Inflation rate estimates range from 2 to 5 percent in the developed countries to significantly higher rates for developing economies. Restrictive monetary policies coupled with the recent rise in crude oil prices are the major reasons for the moderate inflation rates in developed countries. Crude oil prices for 1989 are expected to increase by nearly 14 percent from 1988 levels. This is seen as a significant inflationary threat.

Recent developments in the leading industrialized countries have resulted in depreciation of major world currencies against the U.S. dollar. The continuation of restrictive monetary policy in the form of higher interest rates to control inflation in the United States and other industrialized countries could stall their attempts to correct trade imbalances. This is likely to slow the improve-

ment of external trade imbalances among major trading partners such as West Germany and Japan in the near term.

Nonetheless, U.S. trade imbalances with Japan and Asia's newly industrialized countries (NIC's) should continue to improve as their strong currencies dampen exports and increase imports from the United States. Japan and the NIC's are key players in the adjustment process with their rapidly expanding economies boosting demand for imports. However, less improvement is likely in the trade imbalance between the United States and Europe because of lingering political controversies and the perceived need in Europe to hold the line on monetary policy.

Developed Countries

Economic expansion among developed countries is expected to follow the path of world economic growth, slowing in 1989 and 1990, and then registering modest growth for the remainder of the 1989-94 forecast period. A slowdown in economic growth this year and next in the United States and industrialized countries in Western Europe will contribute to the overall decline.

While the U.S. economy has slowed in the past few months, it remains relatively strong and is now in its seventh year of continuous expan-

sion. Real GNP for 1989 is forecast to increase at a moderate 3.1 percent after a 4-percent increase in 1988. While the economy is growing at a slower pace in 1989 than in the previous few years, the projected growth is more than was forecast even 6 months ago.

The economy has balanced strength from most sectors and is supported by continued strong exports. Because of this, the U.S. trade deficit improved significantly in 1988 and has shown further improvement in 1989. Based on figures for the first 7 months of 1989, this year's trade deficit is running at an annual rate of \$105 billion, a \$13.5 billion improvement from 1988 and \$47.1 billion less than the record deficit of \$152.1 billion in 1987.

U.S. exports of manufactured products have helped maintain industrial production and employment at high levels in 1989 as U.S. government and consumer spending has slowed. On the other side of the ledger, export growth has increased inflation as lower unemployment resulted in higher labor costs and pushed plant utilization to near full capacity.

Determined to control inflation, the Federal Reserve (Fed) has been reluctant to lower short-term interest rates. The Fed has held the discount rate at 7 percent since its advance to that level in early 1989. However, the Fed has allowed its federal funds rate to drop, lowering the cost of borrowing money to member banks, to just under 9 percent. Major U.S. banks lowered their prime rate from 11.5 percent to 10.5 percent in the third quarter of 1989.

(Continued)

... Macroeconomic Outlook

The higher-than-expected U.S. interest rates, along with continued but moderate strength in the economy, have increased the value of the U.S. dollar relative to the currencies of other industrialized countries. Even with relatively heavy central bank intervention and interest rate increases by EC countries and Japan, the dollar has remained buoyant. Continued appreciation of the dollar will likely slow the improvement in the trade deficit as it increases the cost of exports in foreign markets.

Japan's economy continues to expand, as it has successfully shifted its focus away from export-led growth to more reliance on growth in domestic demand. The Japanese economy is expected to grow by 5.4 percent in 1989 and average around 3.9 percent annual growth for the balance of the 1989-94 forecast period. The composition of Japan's internal expansion is led by private fixed investment and private personal consumption.

Japan recently increased its discount rate to 3.75 percent--the second increase this year--in an effort to stem rising inflation. This was seen as a necessary move to slow economic expansion and stabilize the relationship between the dollar and the yen.

Unlike Japan, economic growth in West Germany, has been and will remain mostly export-led. The West German economy is expected to expand by 3.7 percent in 1989 and average around 2.3 percent in annual growth during 1990-94. Germany's Bundesbank recently responded to the strong U.S. dollar by raising its interest rate 1 percent to prevent further depreciation of the mark vis-a-vis the U.S. dollar. This move was aimed at slowing inflation generated from rising import prices.

An appreciation of the U.S. dollar relative to the West German mark since the first quarter of 1988 is one of the major factors contributing to reduced U.S. trade with the

European Community. Other factors are protectionism and increased self-sufficiency.

Developing Countries

Economic performance in developing nations' economies is expected to be higher than in either industrialized and centrally planned countries over the next 5 years, averaging more than 4.4 percent from 1990-94. This expectation is predicated on the assumption that continued robust activity for the four Asian NIC's, (South Korea, Hong Kong, Singapore, and Taiwan) will result in above-average economic growth rates for developing countries, as a group.

Growth rates among the NIC's are expected to exceed 6.3 percent for 1989 and slightly under 6 percent for the balance of the forecast period. Economic growth rates for both Taiwan and South Korea could be as high as 7 percent. The higher growth for these two countries reflects surging domestic demand and gains in real wages and employment. Exports for both countries continue strong but their contribution to GNP is down from year-earlier levels as pressure from the United States to liberalize imports reduces exports' contribution to GNP.

With the recent rise in oil prices, oil-exporting developing countries are likely to fair better than in recent years. However, the significant increase in crude oil prices that occurred during the first 7 months of 1989 will likely moderate during the balance of calendar year 1989. The Oil Producing Exporting Countries (OPEC) cartel is expected to increase production in coming months as soon as quotas can be allocated

Economic Growth Rates (%), CY 1989-94 ^{1/}

Region/Country	1989	1990	1991	1992	1993	1994
World	3.5	3.1	3.3	3.3	3.3	3.7
Developed countries (OECD)	3.5	2.5	2.9	2.9	2.9	3.1
United States	3.1	2.2	3.0	2.8	2.6	2.6
EC	3.4	2.5	2.5	2.5	2.8	3.2
Japan	5.4	4.0	3.2	4.1	3.6	4.3
Developing Countries	3.2	4.2	4.6	4.0	4.4	4.6
Africa	2.3	2.0	2.5	3.5	3.8	3.7
Latin America	-0.5	3.5	4.2	2.4	3.3	4.2
Pacific Basin	6.3	5.5	6.2	6.1	6.1	6.0
Arabian Gulf	8.6	4.9	4.2	4.2	4.2	3.4
Other Asia/Middle East	6.2	5.5	5.8	5.4	5.5	5.3
Centrally Planned Economies	3.9	4.1	3.6	4.1	4.1	4.9

^{1/} Gross Domestic Product (real terms, 1980 prices and 1980 exchange rates). Source: Trade and Economic Information Division, FAS, and The WEFA Group, July 1989.

(Continued)

... Macroeconomic Outlook

among its 13 members. Such an action would slow price increases in coming months, precluding any sharp price advances.

Economic growth among developing countries in Latin America and Africa does not look as promising for the forecast period. Economic progress in these countries will depend largely on their ability to come to grips with their debt problems, which will, in turn, be heavily influenced by monetary policies in the developed countries and worldwide macroeconomic trends.

Centrally Planned Economies

Economic growth rates among the Centrally Planned Countries (CPC's) are expected to average around 4 percent for 1989 and slightly more than 4 percent for the balance of the 1989-94 forecast period. Prior to the civil disturbance in Beijing earlier this year, the People's Republic of China (PRC) was expected to lead growth among the CPC's, at 9.7 percent for 1989. The economic growth rate was lowered to 4.1 percent for this forecast because of this development.

The Soviet Union is expected to be the second fastest growing CPC, averaging 3.3 percent during the 1989-94 forecast period. Eastern Europe will show the slowest growth, at slightly less than 1.2 percent. Most CPC's are in the process of restructuring their economies in order to stimulate economic growth. However, the success of these programs depends largely upon domestic political situations, particularly the manner in which a given country's government responds to domestic civil disruptions.

Implications for U.S. Agricultural Exports in 1990 and Beyond

Because of the intimate link that exist between economic prosperity and export expansion, FAS expects the rapidly expanding economies of the Pacific Rim to offer the best market prospects for U.S. agricultural export expansion into the 1990's.

Asia replaced Western Europe as the leading regional market for U.S. farm products in 1979. Since then, the percentage of U.S. agricultural exports going to this region has risen steadily -- from 32 percent, or \$12.8 billion, in fiscal 1980, to an estimated 42 percent, or \$16.3 billion in 1989. While almost every country within the Asian region has expanded its imports of U.S. agricultural products, a few stand out as exceptional prospects in coming years; Japan, the four Asian NIC's (Korea, Taiwan, Hong Kong, and Singapore), Thailand, and Indonesia.

In terms of product demand, grains will likely continue to be imported at a brisk pace, but consumer-oriented products, such as red meats and horticultural products, offer the most promise for U.S. export expansion, as these countries' economies continue to improve and their people seek dietary improvements and a better standard of living.

U.S. agriculture is faced with a multitude of uncertainties as it enters the 1990's. Farm policy under a new farm bill has not yet been determined, the GATT negotiations may substantially change world trade, the U.S. crop sector is still recovering from the worst drought in 50 years, and the potential for a worldwide economic slowdown remains a threat to export expansion.

Perhaps more than ever, agriculture's future is intertwined with events and actions of the non-farm economy -- at home and abroad. At home, concerns over the U.S. budget and trade deficits will affect policy actions of the Federal Reserve, the value of the dollar, inflation, and economic growth.

Key indicators outside the U.S. realm of control that will influence world demand for U.S. agricultural products include: economic growth in developing countries, relative exchange rates, world debt repayment, and government policies in both importing and exporting countries.

Another factor to consider is the rapid spread of improved agricultural technology throughout the world. This has resulted in expanded production, increased self-sufficiency, and shrinking markets for many of the basic bulk commodities. An additional consequence of the diffusion of technology has been the entry of non-traditional competitors into the world marketplace. The effect of these new entrants has been increasingly fierce competition in the world agricultural export market.

For more information, contact Ron Roberson at (202) 447-2841.

U.S. Agricultural Exports by Major Commodity Group, Year-to-date Performance Indicators and Fiscal 1989 Forecasts

	October-August			Fiscal Year		
	1987/88	1988/89	% Change	1988	1989(f) 1/	% Change
	-- Billion dollars --			-- Billion dollars --		
Grains & feeds 2/	11.368	15.678	38%	12.749	17.0	33%
Wheat	3.980	5.365	35%	4.465	5.9	32%
Wheat flour	0.161	0.225	40%	0.171	0.2	17%
Rice	0.668	0.864	29%	0.727	0.9	24%
Feed grains 3/	4.604	6.956	51%	5.218	7.5	44%
Corn	3.837	5.798	51%	4.340	6.5	50%
Feeds & fodders	1.507	1.684	12%	1.674	NA	NA
Oilseeds & products	7.362	6.481	-12%	7.832	6.7	-14%
Soybeans	4.789	3.968	-17%	5.011	4.1	-18%
Soybean meal	1.356	1.256	-7%	1.474	1.3	-12%
Soybean oil	0.384	0.346	-10%	0.437	0.3	-31%
Other vegetable oils	0.406	0.370	-9%	0.450	NA	NA
Livestock products	4.398	4.937	12%	4.914	5.4	10%
Red meats	1.589	2.151	35%	1.684	NA	NA
Animal fats	0.465	0.466	0%	0.528	NA	NA
Poultry products	0.581	0.671	15%	0.648	0.7	8%
Poultry meat	0.379	0.475	25%	0.424	NA	NA
Dairy products	0.458	0.450	-2%	0.541	0.5	-8%
Horticultural products	3.478	3.812	10%	3.840	4.3	12%
Unmanufactured tobacco	1.216	1.203	-1%	1.296	1.3	0%
Cotton & linters	2.063	1.889	-8%	2.150	2.2	2%
Planting seeds	0.381	0.455	19%	0.406	0.5	23%
Sugar & tropical products	0.860	1.079	25%	0.956	1.3	36%
Wood products 4/	4.678	5.338	14%	5.127	NA	NA
Total agricultural export value	32.165	36.656	14%	35.332	40.0	13%

	-- Mil. metric tons -- % Change			-- Mil. metric tons -- % Change		
Grains & feeds 2/	99.868	105.757	6%	109.465	NA	NA
Wheat	37.051	33.713	-9%	40.489	37.0	-9%
Wheat flour	1.188	1.063	-11%	1.144	1.2	5%
Rice	1.998	2.780	39%	2.173	2.7	24%
Feed grains 3/	48.446	56.903	17%	53.416	62.8	18%
Corn	40.125	47.668	19%	44.219	53.4	21%
Feeds & fodders	10.134	10.197	1%	11.095	11.1	0%
Oilseeds & products	28.362	20.398	-28%	29.676	22.0	-26%
Soybeans	20.254	13.624	-33%	20.934	14.3	-32%
Soybean meal	5.801	4.510	-22%	6.233	4.8	-23%
Soybean oil	0.767	0.633	-17%	0.850	0.6	-29%
Other vegetable oils	0.738	0.605	-18%	0.803	NA	NA
Livestock products 5/	1.986	2.199	11%	2.225	NA	NA
Red meats	0.563	0.741	32%	0.576	0.7	22%
Animal fats	1.198	1.211	1%	1.347	1.4	4%
Poultry products 5/	0.374	0.446	19%	0.411	NA	NA
Poultry meat	0.354	0.429	21%	0.390	0.4	3%
Dairy products 5/	0.326	0.325	0%	0.366	NA	NA
Horticultural products 5/	3.277	3.540	8%	3.557	3.8	7%
Unmanufactured tobacco	0.214	0.198	-7%	0.229	0.2	-13%
Cotton & linters	1.366	1.380	1%	1.428	1.5	5%
Planting seeds	0.228	0.426	87%	0.236	NA	NA
Sugar & tropical products 5/	0.819	0.830	1%	0.872	NA	NA
Total agricultural export volume 5/	136.818	135.499	-1%	148.465	147.0	-1%

NA = Not available.

1/ Export forecasts are from August 25, 1989, "Outlook for U.S. Agricultural Exports."

2/ Includes pulses and corn gluten feed and meal.

3/ Includes corn, oats, barley, rye, and sorghum and products.

4/ Wood products are not included in agricultural product value totals.

5/ Includes only those items measured in metric tons.

Source: U.S. Bureau of the Census and August 25, 1989, "Outlook for U.S. Agricultural Exports."

Weekly Quotations for Selected International Prices 1/

Dollars per metric ton	Week of 10/18/89	Month ago	Year ago
<i>Wheat (CIF Rotterdam) 2/</i>			
Canadian No. 1 CWRS 13.5%	199	198	220
U.S. No. 2 DNS 14 %	183	180	189
U.S. No. 2 SRW	187	167	189
U.S. No. 3 HAD	177	184	210
Canadian No. 1 durum	191	191	212
<i>Feed Grains (CIF Rotterdam) 2/</i>			
U.S. No. 3 yellow corn	128	116	141
<i>Soybeans and Meal (CIF Rotterdam) 2/</i>			
U.S. No. 2 yellow soybeans	233	243	NQ
U.S. 44 % soybean meal	NQ	NQ	NQ
Brazil 48 % soy pellets	236	226	299
<i>U.S. Farm Prices 3/ 4/</i>			
Wheat	142	139	97
Barley	86	81	62
Corn	90	92	61
Sorghum	80	86	56
Broiler 5/	1,144	1,409	1,256
Soybeans 6/	207	231	296
<i>EC Import Levies</i>			
Common wheat	124	105	141
Durum wheat 8/	183	156	NA
Barley	129	109	134
Corn	134	140	133
Sorghum	144	145	149
Broilers	365	364	NA
<i>EC Intervention Prices 7/</i>			
Premium wheat	197	187	206
Common wheat	194	182	195
Feed wheat	184	173	195
Maize	194	182	206
Barley	184	173	195
Sorghum	184	173	195
Broilers	1,286	1,209	NA
<i>EC Export Restitution (subsidies)</i>			
Common wheat	41	24	68
Durum wheat 8/	12	12	NA
Barley	81	41	76
Broilers	400	524	NA

NQ = No quote. NA = Not available. Note: Changes in dollar value of EC import levies, intervention prices, and export restitutions may be the result of changes in \$/ECU exchange rates.

1/ Mid-week quote. 2/ Asking price in dollars for imported grain and soybeans and soybean products, cif Rotterdam for nearby delivery. 3/ Five-day moving average. 4/ Target price for current marketing year in \$/metric ton: wheat, \$151; barley, \$112; corn, \$112; sorghum, \$106; soybean loan rate, \$166.

5/ Composite 12-city weighted average price for trucklot sales to be delivered to first receiver. 6/ Central Illinois processors bid to arrive. 7/ Buy-in equals 94% of intervention price plus full value of monthly increments.

8/ Import levies and export restitution not specified for durum wheat in 1988 marketing year.

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